

tributions after December 31, 1962, in taxable years ending after such date.

(2) The amendment made by subsection (b) shall apply to transactions described in section 595(a) of the Internal Revenue Code of 1954 occurring after December 31, 1962, in taxable years ending after such date.

Ante, p. 982.

(3) The amendment made by subsection (c) shall apply to taxable years beginning after the date of the enactment of this Act.

(4) Subsection (e) of this section shall become effective on January 1, 1963, except that—

(A) in the case of the tax imposed by section 4251 of the Internal Revenue Code of 1954, such subsection shall apply only with respect to amounts paid pursuant to bills rendered after December 31, 1962; and

26 USC 4251.

(B) in the case of the tax imposed by section 4261 of such Code, such subsection shall apply only with respect to transportation beginning after December 31, 1962.

SEC. 7. DISTRIBUTIONS BY FOREIGN TRUSTS.

(a) DEFINITIONS.—

(1) INCOME OF FOREIGN TRUST.—Section 643(a)(6) (relating to modifications taken into account in computing distributable net income) is amended to read as follows:

“(6) INCOME OF FOREIGN TRUST.—In the case of a foreign trust—

“(A) There shall be included the amounts of gross income from sources without the United States, reduced by any amounts which would be deductible in respect of disbursements allocable to such income but for the provisions of section 265(1) (relating to disallowance of certain deductions).

“(B) Gross income from sources within the United States shall be determined without regard to section 894 (relating to income exempt under treaty).

“(C) Paragraph (3) shall not apply to a foreign trust created by a United States person. In the case of such a trust, (i) there shall be included gains from the sale or exchange of capital assets, reduced by losses from such sales or exchanges to the extent such losses do not exceed gains from such sales or exchanges, and (ii) the deduction under section 1202 (relating to deduction for excess of capital gains over capital losses) shall not be taken into account.”

(2) FOREIGN TRUSTS.—Section 643 (relating to definitions) is amended by adding at the end thereof the following new subsection:

“(d) FOREIGN TRUSTS CREATED BY UNITED STATES PERSONS.—For purposes of this part, the term ‘foreign trust created by a United States person’ means that portion of a foreign trust (as defined in section 7701(a)(31)) attributable to money or property transferred directly or indirectly by a United States person (as defined in section 7701(a)(30)), or under the will of a decedent who at the date of his death was a United States citizen or resident.”

Post, p. 988.

Post, p. 988.

(b) ACCUMULATION DISTRIBUTIONS OF FOREIGN TRUSTS.—

(1) Section 665(b) (relating to definitions applicable to subpart D) is amended by striking out “(b) ACCUMULATION DISTRIBUTION.—For purposes of this subpart,” and inserting in lieu thereof the following:

“(b) ACCUMULATION DISTRIBUTIONS OF TRUSTS OTHER THAN CERTAIN FOREIGN TRUSTS.—For purposes of this subpart, in the case of